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## FISCAL POLICIES

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The Fiscal Sub-Element of the General Plan includes the following guiding fiscal policies for the City's Budget and Resource Allocation Plan.

***Accounting Principles***

Maintain accounting systems and financial management practices in conformance with Generally Accepted Accounting Principles.

***Capital Improvement Design***

Design capital improvements to assure cost efficiency and to accomplish City goals and policies. Base the planning and design of capital improvements on standards which minimize construction costs, while assuring acceptable useful life and reducing maintenance requirements.

***Capital Improvement Funding***

Use all available funding sources to finance capital improvement projects consistent with City priorities.

***Capital Improvements Maintenance and Replacement***

Provide for optimal maintenance of capital improvements and schedule equipment for future replacement at the most cost-effective time. Give high priority to replacing capital improvements when they have deteriorated to the point where they are hazardous, incur high maintenance costs, negatively affect property values, or no longer serve their intended purposes.

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### *Contingencies Reserve*

This reserve is to be used only in case of emergency or disaster, and is not intended for normal unanticipated expenditures. In the Fiscal Sub-Element, the policy calls for this reserve to be 10% of operations, but Council policy adopted in FY 1992/1993 changed it to 20% of operations for the General Fund. The Water and Wastewater Enterprise Funds maintain contingencies reserves of 25% of operations. The Solid Waste Enterprise Fund maintains contingencies reserve of 10% of operations to reflect that fact that this operation has less risk for damage or disaster. The reserve amount changes each year as operations of the Fund either increase or decrease.

### *Debt Limits*

Limit use of debt so as not to place a burden on the fiscal resources of the City and its taxpayers. Generally, the method of financing selected for debt retirement should be based on who will benefit and who should pay for the cost of improvements.

### *Enterprise Funds*

Fully account for and apportion all costs, fees, and General Fund transfers associated with enterprise funds. The costs of each enterprise, including the transfers from the General Fund, shall be offset by user charges and fees derived from the enterprise activity. "Costs" shall mean all operating, capital, debt service, contingency and administrative costs. Any revenues in excess of expenditures shall not be used for general municipal purposes.

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### ***General Fund Service Level Contingency Reserve***

This reserve was established in FY 1993/1994 to provide funds for increased service levels or costs in excess of inflation. The reserve was one-time and set to equal 5% of operations. Before FY 1993/1994, the General Fund contained an on-going set-aside called the “One Percent of Operations Set-Aside” that provided the ability to handle revenues that did not perform as well as projected and expenditures that increased more than inflation. This set-aside was replaced by the Service Level Contingency Reserve. Beginning in FY 2005/2006 the Service Level Contingency Reserve has been eliminated.

### ***General Fund Non-Recurring Events Reserve***

This reserve contains funds from FY 1997/1998 and FY 1998/1999 that resulted from greater than anticipated revenues and less than anticipated expenditures during the height of the dot.com boom. By Council action, these types of one-time funds resulting from the peak of the economic cycle were set aside for significant high-priority capital and special projects and not used to add recurring services. Most of the funds in this reserve have been used for these types of one-time costs. The remaining reserve has been eliminated for FY 2005/2006.

### ***General Fund Surplus***

Plan the effective use of surplus funds in order to accelerate service programming or reduce taxes. A General Fund surplus is defined to exist when the Ten Year Resource Allocation Plan indicates that a Ten Year Plan reserve exists in any one year of the plan and will continue to exist at that level or greater for each subsequent year of the Plan.

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### ***Intergovernmental Funds***

Recognize in long-range planning the lack of stability inherent in intergovernmental funds and reduce reliance on intergovernmental assistance. Discourage use of intergovernmental grant assistance for routine programs. Intergovernmental grants may be used for special projects which strengthen a program, have a definable starting and ending date, and do not expand a service in such a way as to require the substitution of local funds to continue part or all of the service once intergovernmental assistance ends.

### ***Internal Controls***

Maintain financial integrity and provide assurance that adequate internal controls are in place. Conduct periodic financial, operational, and management audits to assure that adequate internal controls exist and that management practices are in compliance with Federal, State and City rules and regulations.

### ***Land Acquisition***

Acquire land to meet City goals in the most cost efficient and timely manner. Assure that undeveloped land needed to meet City goals is given a high budgetary priority so that it can be acquired before it is developed. Developed land should be acquired in reasonable proximity to the time the property is required for City purposes.

### ***Performance Budget System***

Maintain and refine the Performance Budget System to assure its use for multi-year planning, full-cost accounting and budget monitoring.

### ***Purchasing Practices***

Maintain a purchasing system in conformance with generally accepted purchasing practices.

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### ***Reserves***

Provide a prudent level of reserves for future unexpected expenses and revenue declines; to accumulate funds to support future planned capital improvements; and to level high and low expenditure years in the Ten-Year Resource Allocation Plan.

### ***Resource Allocation***

Allocate resources in direct relation to general plan goals.

### ***Revenue Base***

Maintain a diversified and stable revenue base for the City. Establish user charges and fees at a level closely related to the cost of providing those services. Seek all possible Federal and State reimbursement for mandated projects and/or programs. Investigate potential new revenue sources, particularly those that do not add to the tax burden of residents or local businesses.

### ***Revenue Collection***

Develop and maintain an aggressive revenue collection program to assure that monies due the City are received in a timely fashion.

### ***Revenue Forecasting and Monitoring***

Develop and maintain a revenue monitoring system to assist in trend analysis and revenue forecasting.

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